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C O N F I D E N T I A L SECTION 01 OF 05 CARACAS 000298

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SUBJECT: CHAVEZ CELEBRATES SEVEN YEARS IN POWER, GOES FOR
FOURTEEN MORE

REF: 04 CARACAS 03928

Classified By: ACTING POLITICAL COUNSELOR MARK A. WELLS FOR 1.4 (D)

Summary

¶1. (C) In a six-hour presentation celebrating his seventh year in office on February 2, President Hugo Chavez enjoyed musical performances, conferred several awards, summarized his administration's accomplishments, announced the expulsion of the US Naval Attaché, warned the Embassy against future interaction with Venezuelan military officials, and set the course for now through 2021, the year he says he will step down. The Cabinet, military high command, Supreme Court justices, National Assembly Deputies, National Electoral Council President Jorge Rodriguez, governors, many accredited diplomats (we were not invited), and thousands of adoring Chavez supporters attended the event. Afterward Chavez attended a civil-military parade that looked reminiscent of Soviet-era marches in Red Square. The atmosphere of both events, and tone of Chavez' remarks indicates his government will take on a more radical and authoritarian direction. Yet, there were signs that he is concerned about the goal he has set for himself to prove that he is just as, if not more, popular now than seven years ago. End Summary.

7 years . . . por ahora

¶2. (SBU) On February 2, against the backdrop of a campaign sign featuring President Hugo Chavez's picture and a caption

declaring "Seven Years. . . For Now," Chavez recounted the history of his political movement and thanked all of his supporters along the way. He described each phase of his development in seven-year increments starting in 1971 when he began military training. He characterized 1978-1992 as the years of conceptualizing and developing his Bolivarian revolution and 1992-1999 as his political offensive. He described his first term (1999-2006) as laying the foundation of the Bolivarian revolution. (Note: When Chavez was captured during his failed 1992 coup, then-President Carlos Andres Perez asked him to go on television to call off his co-conspirators. During his statement, he used the phrase "Por ahora," or "For Now" in English, to signal to his followers that their movement was only temporarily thwarted and would be revived. Chavez' remark was appreciated as a defiant commitment to change then, and has been a constant mantra of his movement ever since.)

¶3. (C) Next, Chavez declared 2006 the "Advance for Seven More Years," which he specified would bring him to 2013 so no one would think he was "disrespecting the law." The phrase "por ahora" then appeared on the screen and Chavez launched into his formulation to stay seven years beyond his constitutionally-permitted time, until 2021. Thirty-five years have passed since the birth of his Bolivarian revolution, he calculated, and seven (stages) times seven (years), plus one more (to round it off) would bring him to 50 years of his revolutionary battle. Afterward, he will head for the Venezuelan interior "and hang his hammock." (Note: Although the presidential terms are six years each, Chavez added an extra year to stay consistent with his seven theme. The current Constitution allows the President to be

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elected for only one more six-year term, therefore this announcement reinforces the government's intention to modify the Constitution to allow for multiple re-election.)

"I Watch You"

¶4. (SBU) Chavez's speech featured several warnings for and accusations against the USG. Approximately 30 minutes into his speech (and minutes after Post received notice by fax), Chavez announced he was expelling the US Naval Attache for espionage. He then threatened to expel the entire "US military mission in Venezuela," if another US defense attache is caught meeting or contacting a Venezuelan military officer. The decision was announced, Chavez said, to show that Venezuela was now free from the "imperialists." Several times in the speech, Chavez reiterated a frequent claim that the US is planning a "Panama-style" invasion to remove him. As part of that plot, Chavez alleged that the Naval Attache told one of his military contacts that they should find more people in the Armed Forces to help reduce military support for Chavez. He then said, in English, "Come Here, I Watch You." Referring to USOAS Ambassador John Maisto's response to the OAS electoral observation report, Chavez later accused the USG of planning to subvert the December 3 presidential election by encouraging the opposition to boycott at the last minute, something he alleged occurred during the 2005 legislative election.

Other Anti-US Comments

¶5. (SBU) Chavez raised Citgo as another example of how his government had freed the country of so-called U.S. imperial dominance. He revived his claims that the previous governments had used previous Citgo commercial deals to build up the United States, instead of improving infrastructure and Venezuelans' quality of life. According to Chavez, 2005 was the first year the company was finally contributing to the country's development. He mentioned the arrest of Cindy

Sheehan in the Capitol and repeated his call during the January 29 closing of the World Social Forum for all Venezuelan women to sign Sheehan's petition to end the war in Iraq, and present that petition during a march to the Embassy on March 8. He also saluted the elections of Bolivia's Evo Morales and Chile's Michelle Bachelet, as well as increased solidarity among the Caribbean, and South and Central America, as proof that so-called US imperialism in the hemisphere was on the wane. He exclaimed, "Together united, we will not be defeated!"

What I've Done for You Lately

¶6. (SBU) As he did during his January 13 State of the Union Address, Chavez listed the accomplishments of the last seven years. He declared, once again, his administration's ability to survive opposition plots, the interment of the Punto Fijo period and the exchange of imperialist oppression for a democracy based on popular participation as the main political accomplishments. On the economic front, he cited the "nationalization" of state-oil company PDVSA, the "re-nationalization" of the gas sector, as well as, the

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implementation of an "endogenous" economic model (for example, the formation of cooperatives), and the redistribution of wealth. Socially, he heralded the missions' success in reducing poverty and providing access to education, medical services, and identification documents to millions who previously had none.

Rumbo al Socialismo 21!

¶7. (SBU) Chavez used the occasion to announce several ambitious plans for the election year, including the kick off of Santa Ines II, the second edition of the election campaign plan that helped him recruit enough votes to win the 2004 recall referendum. He ordered all government officials to assist in organizing the program, which will consist of 10, 10-person patrols around each of the country's 10 million voting centers. Each patrol member will be given a list of 10 voters to be responsible for visiting to find out if they are a Chavez, opposition, or abstention supporter, if they are registered, if they have a current cedula, and if the electoral registry has their most recent address. He congratulated the National Electoral Council (CNE) for its honesty and transparency, endorsed its goal to incorporate 2 million additional voters in the electoral registry, and reiterated his goal to obtain 10 million votes, although he acknowledged this task would be difficult.

¶8. (SBU) In keeping with his election-year theme, Chavez outlined several new social programs and initiatives. He explained the initiatives would be partially funded by additional (read: off-budget) revenue from National Development Fund (Fonden) and the Central Bank. (Note: In July 2005, the National Assembly amended the Central Bank Law authorizing the one-time transfer of "excess" reserves of USD 6 billion to the Fonden.) He said USD 6 billion of Fonden funds are already committed, and anticipates an additional USD 6 billion to be deposited in Fonden this year as well as an additional USD 4 billion in "excess international reserves." Key announcements include:

-- Second Phase of Mobile Government: Following on last year's initiative, there will be traveling cabinet meetings, but this time targeting individual communities and parishes, not merely states as before. Chavez said he would not attend all, but would trade off with Vice President Rangel and cabinet ministers. The first is set for February 6 in Miranda State.

-- Revolutionary Democracy, or "Decisionmaking Subsystems": A self-governance program based primarily on community councils ("concejitos comunales") that will be charged with evaluating governors and mayors, and will develop, review, and approve microcredits for neighborhood improvement projects. According to a draft bill under discussion in the National Assembly, the councils will fall under local governments. Chavez told National Assembly President Nicolas Maduro to change the law and make them independent.

-- Financing Subsystem: As part of the decisionmaking subsystem, Chavez is creating the National Self-Governance Fund (Fondo Nacional de Autogobierno) and expanding the number of community banks. Only communities, not mayors or governors, can solve some problems, said Chavez. Therefore, he proposed to establish the fund with 2.2 trillion Bolivares

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(USD 1 billion), part of which the community councils, through a convenio, will dispense for social development and infrastructure projects. The councils will also run the community banks, from which constituents can borrow money for development projects. Unlike the Fund money, these loans have to be repaid.

-- Minimum Wage Increase: For the third time in a year, Chavez raised the minimum wage, this time by 15 percent to 465,750 Bolivars (USD 217), effective February 1. According to Chavez, the percentage change outpaces the government's inflation goal of 10 percent. Chavez promised to invest USD 1.4 billion in increases in public sector salaries and adjustments to the public sector pay scale. Approximately 700,000 employees will benefit from this adjustment. According to Chavez' calculations, for example, a "Level one" employee's minimum salary would jump from USD 200 to USD 220.

The minimum salary for a "Level 26" employee, the highest level, would jump from 917,000 Bolivars (USD 427) to 1,225,000 Bolivars (USD 570).

-- Social Security Benefits: Retirees who have denounced irregularities or the denial of pension payments (2,600 people) will no longer have to wait for an investigation to be completed to receive social security benefits, Chavez announced. These benefits (still under investigation) will costs USD 5.9 million a year. In addition, men over 60 and woman over 55 years with only a few required contributions remaining (more than 500,000 people), will have between six months to a year to pay them to receive the benefit of Social Security. For men over 60 and women over 55 who have paid 700 out of the required 750 contributions to receive benefits (25,073 person), the government will pay up to 50 contributions (costing the government an estimated USD 55.8 million) to allow them to also receive Social Security benefits.

-- Stipend for Housewives and Single Moms: Poor and working class single mothers and housewives will receive a monthly stipend of 372,000 Bolivars (USD 148) or 80 percent of the new minimum wage until June. Chavez said he would extend the benefit to the end of the year, if oil prices, tax collection and the economy remain strong.

-- Decree of Labor Sovereignty: This contract, which declares that employers will respect workers' human, labor, and contract rights, will be a mandatory requirement for any business seeking a government contract.

-- Elimination of the Bank Debit Tax (IDB): Targeted at garnering middle class support, the tax, which applies a 0.5 percent tax on the withdrawal of funds from banks, was lifted as of February 2. Initially applied in 2002 when the government had a deficit, this tax has been widely criticized as regressive and unnecessary given the current high budget revenues. Immediately after the announcement, the crowd broke out with the approving chant "Uh, Ah, Chavez no se va." (Ooh, Ah, Chavez is not going!) According to the

President's calculation, this would reduce government revenue by 2.7 trillion Bolivars (USD 1.3 billion), which equals one percent of GDP. Still, he warned the tax may be revived if economic conditions warrant.

-- Increase in Tax Collection: Chavez said he was unconcerned about losing revenue through the IDB because Seniat was increasing tax collection as part of the

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government's declared fight against corruption. He claimed that Seniat collection increased was more than USD 325 million above its January goal.

-- More Missions: Chavez lauded the accomplishments of the various education, health, and social welfare missions. For example, he claimed government expenditure for education (including Missions Robinson, Ribas, and Sucre, and the Bolivarian schools) in the past seven years increased from three to eight percent of GDP. He then announced expansion of some existing missions and the start of new ones, such as Barrio Adentro III to modernize hospitals; Mission Science to advance scientific studies, which will begin next week; and Mission Arbol (Mission Tree) which will start some time this year. Chavez also planned to revive Plan Bolivar 2000, the military-run public works program that stalled because of high levels of corruption. This program was particularly important because, according to Chavez, it would prevent espionage by strengthening the military's bond with the people.

-- Strengthening the Military: Chavez said Venezuela would continue to build up its military equipment. He stressed Venezuela does not want war, but will be prepared, if it comes. To advance the teaching and implementation of the new military doctrine unveiled in late 2004 (ref a), Chavez is reinstating retired military officials. One of the retirees is Alfredo Mueller Rojas, one of Chavez's ideological mentors. He also declared his intention to increase the reserves.

Fifth Reich (Uh, Republic) Movement March

19. (SBU) After the anniversary event, President Chavez went to Fuerte Tiuna to preside over a civil-military parade and the decoration of senior military officers. Some 3,600 social mission beneficiaries, dressed in red shirts, marched in military formation past the reviewing stand and saluted the President. They were followed by 2,400 Armed Forces members walking in a formation reminiscent of the Soviet era.

Comment

10. (C) The atmosphere in which President Chavez celebrated his seventh year in power was as important as what he said. Chavez's public instructions to the legislature, his indirect orders to the CNE, the ominous way in which his famous phrase "Por Ahora" lingered during the speech, and his public threat to the Embassy and our Venezuelan contacts suggest he is becoming more radical and authoritarian. Many of his new programs are targeted to attract the ni-ni group (those who favor neither Chavez or the opposition) and the labor sector, a group that has never been incorporated in the Bolivarian revolution, while punishing his sworn enemies, the elite. His new social programs, though few details were given, are probably just a thinly veiled effort to transfer more cash to his core constituency, the poor. His emphasis on community groups is an attempt at bottom-up organizing, a concept that has never taken root, despite seven years of revolution.

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